

# Worksession

<b>Agenda Item #</b>	12
<b>Meeting Date</b>	19 September 2005
<b>Prepared By</b>	Linda Walker Affordable Housing Manager
<b>Approved By</b>	Barbara B. Matthews City Manager

<b>Discussion Item</b>	Discussion of Proposed Tenant Opportunity to Purchase Revolving Loan Fund
<b>Background</b>	<p>The 2005 Affordable Housing Policy and Action Plan, adopted by Council on July 11, 2005, established priorities to expand the availability of affordable housing options in the community and outlined goals that support home ownership opportunities for tenants in Takoma Park. One of the short-term goals included in the Plan is the establishment of a revolving loan fund that would assist tenant associations with pre-development costs incurred during the initial stages of the purchase and conversion of their rental facility to a condominium or cooperative as permitted by City Code Chapter 6.32 Tenant Opportunity to Purchase. As proposed, loans would be repaid by the tenant association at closing. If the association were unsuccessful in its efforts to purchase the property or elected not to proceed with the purchase, the loan would be forgiven.</p> <p>Draft guidelines for the proposed fund are to be considered by the Council during the September 19 worksession.</p>
<b>Policy</b>	<p>“(To) provide affordable home ownership opportunities throughout the city”</p> <p><i>The 2005 Affordable Housing Policy and Action Plan (July 2005)</i></p>
<b>Fiscal Impact</b>	The City’s FY06 budget includes a total of \$25,000 for undesignated affordable housing programming such as the proposed revolving loan fund. If approved, these funds would be used to leverage additional State financing through programs such as the Community Legacy Program.
<b>Attachments</b>	Program Guidelines (DRAFT)
<b>Recommendation</b>	Review and comment on the proposed guidelines for the program.
<b>Special Consideration</b>	

Introduced by:

**RESOLUTION #2005 -**

**Tenant Opportunity to Purchase Revolving Loan Fund**

**WHEREAS,** the City of Takoma Park reaffirmed its commitment to affordable rental housing and home ownership with the adoption of the 2005 Affordable Housing Policy and Action Plan on July 11, 2005;

**WHEREAS,** one of the affordable housing goals identified in the Policy and Action Plan is to support efforts of tenant associations when they exercise their rights to purchase their rental properties under Chapter 6.32 of the Takoma Park Code (Tenant Opportunity to Purchase law); and

**WHEREAS,** there exists a need to assist certified tenant associations with the pre-development costs incurred by the tenant association during the initial stages of conversion of rental properties to condominiums or cooperatives; and

**WHEREAS,** the City has budgeted \$25,000 for affordable housing programming; and

**WHEREAS,** guidelines for the Tenant Opportunity to Purchase Revolving Loan Fund have been developed and the program has been found to be an appropriate use of dedicated affordable housing funding; and

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF TAKOMA PARK, MARYLAND** that the Tenant Opportunity to Purchase Revolving Loan Fund is hereby established.

**BE IT FURTHER RESOLVED** that the Tenant Opportunity to Purchase Revolving Loan Fund is to be administered by the City Manager and his or her designee in accordance with the attached guidelines.

Adopted this \_\_\_\_\_ day of \_\_\_\_\_

ATTEST:

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Jessie Carpenter, City Clerk

# **DRAFT**

## **Program Guidelines**

### **Tenant Opportunity to Purchase Revolving Loan Fund**

#### **Background**

The Tenant Opportunity to Purchase Revolving Loan Fund is a fund that was created in FY06 and was initially funded through the City of Takoma Park's general budget (\$25,000). Additional grants and loans, applied for by Housing and Community Development supplement the total amount available for this program.

#### **Program Goals and Objectives**

Through its goal of maintaining a diverse and affordable community, Takoma Park City Council established the Tenant Opportunity to Purchase Revolving Loan Fund which can be accessed by tenant associations when they are presented with an opportunity to purchase their rental facilities. By taking advantage of their rights under the Tenant Opportunity to Purchase Law (Chapter 6.32 of the Takoma Park Code), the opportunity of affordable home ownership continues to exist despite the rising costs of housing in Montgomery County. Qualified tenant associations that are interested in converting their rental facilities to condominiums/cooperatives may apply for a loan at the earliest stage of the tenant association's formation. The loan is provided as a means to access funds that can be used to pay for immediate pre-development cost

#### **Funds Availability**

The maximum loan amount is \$25,000 with a 0% interest rate. Loans are awarded on a first come, first serve basis and are available as long as funds are available in the fund account. The notification of the "offer of sale (Section 6.32.040) must be received by the City of Takoma Park prior to the application being processed.

#### **Eligibility**

1. Rental properties must be located within the City of Takoma Park and have seven (7) or more licensed rental units.
2. The tenant association representing the property for sale must be certified by the City of Takoma Park and represent at least 1/3 of the occupied rental units in the rental facility (see attached certification form).
3. Fifty (50%) percent of the tenants registered in the tenant association must have income levels of less than or equal to 50% of the State of Maryland medium income (Washington, DC MSA - See attached chart)
4. The tenant association must agree that \_\_\_\_% of the units will be sold to the current tenants who fulfill the income requirement listed in (3) above, or if any decide not to purchase, to

a person/family who fulfills the same income criteria.

### **Eligible Uses of Funds**

Funds are to be used for pre-development expenses. Examples include, but are not limited to:

- Attorney Fees
- Appraisal
- Engineering inspection
- Technical assistance (developer's fee, credit counseling, etc.)
- Earnest money deposit
- Title Abstract/Search
- Survey
- Termite Inspection

Bills will be paid from the account to the designated vendors when invoices describing the services rendered are received from the designated representative(s) of the tenant association. Payment will be made to the vendor within 15 days of the date that the City receives an invoice.

### **Loan Repayment**

Repayment of the loan in full to the City of Takoma Park will take place at the time of settlement of the property which should occur no later than 10 months from the date of the notice of an "Offer of Sale" to the tenants. An extension of time will be granted if settlement has not taken place by that date and for good cause. Request for an extension must be filed no later than two weeks prior to that date.

If the tenant association decides that purchase and conversion of the property is not feasible or desirable, a letter informing the City of Takoma Park of such decision should be filed immediately with the City representative of the Tenant Opportunity to Purchase Assistance Account. The loan will only be forgiven if notification that the tenant association will not be acquiring the property is received by the City of Takoma Park. Any expenses acquired up to this date will be paid by the City of Takoma Park, as long as there are funds remaining in the tenant association's account.

### **Application Procedures**

Applicants (tenant associations) must answer all questions and complete each form supplied in this package. Review of the application will take place within 2 weeks of submission. A letter advising of the status of the application will be sent to the tenants' association. If approved, an account will be set up in the name of the Tenant Association.

For more information, please contact the City of Takoma Park's Housing Department  
7500 Maple Avenue, Takoma Park MD 20912 or by phone at 301.891.7222.

# DRAFT

## Application for Tenant Opportunity to Purchase Revolving Loan Fund

### A. Borrower Information:

Name of Tenant Association: \_\_\_\_\_

Property Address: \_\_\_\_\_

Designated Representative: \_\_\_\_\_

Mailing Address: \_\_\_\_\_  
\_\_\_\_\_

Telephone Number (Days) \_\_\_\_\_ (Cell) \_\_\_\_\_

Fax Number \_\_\_\_\_ E-mail \_\_\_\_\_

Legal Representative (if applicable): \_\_\_\_\_

Mailing Address: \_\_\_\_\_  
\_\_\_\_\_

Telephone Number (Days) \_\_\_\_\_ (Cell) \_\_\_\_\_

Fax Number \_\_\_\_\_ E-mail \_\_\_\_\_

### B. Qualifications

- |    |   |       |
|----|---|-------|
| a. | Total number of rental units in building(s)                   | _____ |
| b. | Number of rental units represented by Tenant's Association    | _____ |
| c. | Number of income eligible households as defined in guidelines | _____ |
| d. | Date written offer of sale of property received by tenants    | _____ |

### C. Scope of Project

Please give a brief summary of the goals of the Tenant Association in regard to the purchase of the property and the time frame for purchase (additional pages may be attached).

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#### **D. Loan Request**

Amount of Requested Loan: \$ \_\_\_\_\_

Proposed use of loan funds and estimated cost:

Attorney Fees	\$ _____
Developer Fee	\$ _____
Appraisal	\$ _____
Engineering inspection	\$ _____
Technical assistance (i.e. credit counseling)	\$ _____
Earnest money deposit	\$ _____
Title Abstract/Search	\$ _____
Survey	\$ _____
Termite Inspection	\$ _____

#### **E. Required Attachments**

The following documentation is required and must be included with the application.

- a. Copy of registration form for Tenant's Association \_\_\_\_\_
- b. Copies of completed income eligibility forms \_\_\_\_\_
- c. Copy of property owner's written offer of sale \_\_\_\_\_

For Office Use Only:

# DRAFT

## Tenant Association Registration

Name of Tenant Association: \_\_\_\_\_

Date of Incorporation \_\_\_\_\_ Partnership \_\_\_\_\_ Not Applicable \_\_\_\_\_

Address of Property: \_\_\_\_\_

Primary Contact Information:

Name of contact: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

Telephone Number: Days \_\_\_\_\_ Cell \_\_\_\_\_

Total Number of Rental Units in Building(s) \_\_\_\_\_

Total Number of Occupied Rental Units\* \_\_\_\_\_

(\*) A minimum of 1/3 of the occupied rental units must be members of the Tenant Association for certification purposes

If the tenants are forming a Tenants Association because they have received a written offer of sale of the rental property from the current property owner, please note the date the offer was received by the tenants: \_\_\_\_\_ (Please attach a copy of the notice)

If tenants have not received a written offer of sale of the rental property, are you forming a tenants' association because of another issue? Yes \_\_\_\_\_ No \_\_\_\_\_

Please describe any issues the Tenant Association plans to address:

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Please attach a listing of the members of the Tenants Association and its officers using the accompanying form. Members of the Tenants Association must be the signer of the last lease given to the tenant by the owner/agent. The listing must include the name of the tenant, their signature, the number of the unit they rent, and, in cases where more than one building is located on the property, the number of the building.

For more information, please contact the City of Takoma Park's Housing Department  
7500 Maple Avenue, Takoma Park MD 20912 or by phone at 301.891.7222.

Name of Tenant Association: \_\_\_\_\_

### TENANT ASSOCIATION MEMBERSHIP LISTING

By signing this form, I agree to be included as a member of the Tenant Association and certify that I reside in the identified rental unit with the consent of the landlord and have an obligation to pay rent to the landlord for the use of the unit. Please note that City Code Chapter 6.32.110 requires that the Tenant Association must represent a minimum of 1/3 of the occupied rental units as of the time of the registration of the association.

Building No.	Unit No.	Name of Tenant (Please Print)	Signature of Tenant	Phone Number

Page \_\_\_\_\_ of \_\_\_\_\_

Name of Tenant Association: \_\_\_\_\_



## TENANT ASSOCIATION LISTING OF OFFICERS

**Office (i.e. President, Vice President, Treasurer, Secretary):** \_\_\_\_\_

Name of Officer: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

Telephone Number: Days \_\_\_\_\_ Cell \_\_\_\_\_

Email Address: \_\_\_\_\_

Signature of Office Holder: \_\_\_\_\_

**Office (i.e. President, Vice President, Treasurer, Secretary):** \_\_\_\_\_

Name of Officer: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

Telephone Number: Days \_\_\_\_\_ Cell \_\_\_\_\_

Email Address: \_\_\_\_\_

Signature of Office Holder: \_\_\_\_\_

**Office (i.e. President, Vice President, Treasurer, Secretary):** \_\_\_\_\_

Name of Officer: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

Telephone Number: Days \_\_\_\_\_ Cell \_\_\_\_\_

Email Address: \_\_\_\_\_

Signature of Office Holder: \_\_\_\_\_

**Office (i.e. President, Vice President, Treasurer, Secretary):** \_\_\_\_\_

Name of Officer: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

Telephone Number: Days \_\_\_\_\_ Cell \_\_\_\_\_

Email Address: \_\_\_\_\_

Signature of Office Holder: \_\_\_\_\_